

STATE OF WASHINGTON

# FIFTH REPORT

OF

Washington State Liquor Control  
Board



October 1, 1937  
TO  
September 30, 1938

OLYMPIA  
STATE PRINTING PLANT  
1938

**DEFENDANT'S  
EXHIBIT**

CASE  
NO. C04-0360P

EXHIBIT  
NO. 421

TX421-001

**LETTER OF TRANSMITTAL**

December 15, 1938.

To His Excellency, Clarence D. Martin, Governor,  
State of Washington, Olympia.

Sir: The Washington State Liquor Control Board submits herewith its  
report of operations for the period October 1, 1937, to September 30, 1938,  
as required by the Washington State Liquor Act.

Respectfully,

L. E. GREGORY, Chairman

W. J. LINDBERG, Member

HENRY GREGERSON, Member

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## WASHINGTON STATE LIQUOR CONTROL BOARD

# Report of Operations

OCTOBER 1, 1937, TO SEPTEMBER 30, 1938

The Board submits herewith a report of its operations for the 12 months ended September 30, 1938, as required by Section 72 of the Washington State Liquor Act. Comments are contained herein on the effects of the changes made in the Act during the last session of the legislature. Certain of these changes were effective during part of the prior year but they only became fully effective during the year under review. In order to present a complete summary, this report repeats a number of comments contained in the Board's last annual report regarding legislative changes.

### Purpose of the Board

The primary purpose of the Washington State Liquor Act is to promote temperance and to minimize the evils connected with the liquor traffic. The faults of liquor distribution prior to prohibition have been largely eliminated. The faults during prohibition, such as bootlegging, lawlessness, racketeering and poison liquor have practically disappeared. Illegal trade has been eliminated to the extent that today less than 1% of the liquor sold in this state is illicit. Improved regulations and increased supervision and enforcement have improved the operation of manufacturers, wholesalers and retailers. A system of state stores, state agencies and licensed operations has made liquor conveniently available to the people of the state. The Board has insisted that the provisions of the law prohibiting sales to minors, intoxicated persons, and Indians who are wards of the Government be observed.

### Administration of the Act

New problems arising in connection with the distribution and sale of liquor are rapidly being solved under the provisions of an Act which has been demonstrated to be a notable piece of legislation. The Board has been deeply impressed with the manner in which the provisions of the Act were drafted to meet the various difficulties which arise from time to time in controlling the liquor traffic. The broad powers granted to the Board under the Act have enabled it to meet emergencies as they arise and changing conditions as they occur with much greater promptness and efficiency than if the powers had been more restricted. The ability of the Board to move quickly has been advantageous both from the point of view of control and financial efficiency. For example, since its inception, the Board has made savings of \$538,078.29 in cash purchase discounts because it is able to pay its bills promptly. Savings have also been made by anticipating changes in prices, freight rates and duties. The broad powers were first granted because the state control of liquor was a new experiment—they should be continued because the problem of liquor control presents a constantly changing picture and because the efficient operation of a merchandising business requires a flexible form of management.



### Revenues

The sales of the Board for the fiscal year decreased from \$14,455,128.88 for the prior year to \$14,248,848.54. This decrease, due largely to the recession in general conditions would have been greater had it not been offset by an increase in selling prices and an increase in mark-up so that the profits of the Board's merchandising division increased from \$2,857,413.16 to \$3,203,190.03. At the same time license and tax revenues (other than the 10% sales tax) amounted to \$1,510,555.00 as compared with \$1,641,974.58 for the previous year. The Board collected and turned into the state general fund \$1,424,647.08 in sales taxes. This tax is included in the retail prices shown in the Board's published price lists. During the period, the Board distributed \$3,300,000.00 in profits making the total of all funds disbursed from the Board's inception to September 30, 1938, \$17,620,902.13. In addition the Board distributed shortly after the end of the fiscal year an additional \$1,000,000.00 in profits which had been earned during the period under review.

During these days when State and Federal Governments are searching frantically for sources of new and additional revenue, the Board most emphatically warns against legislation seeking additional revenue from liquor in the State of Washington. Our revenue from liquor already meets the highest estimates of the Advisory Liquor Control Commission of five or six million dollars annually. Further efforts to this end will destroy control and in all probability fail in producing additional revenue.

At the outset of its operation the Board's liquor prices were the lowest in the United States, with the result that illicit operations were reduced to a minimum. As the price of liquor at the distillery began to decline, the Board has by gradual increase doubled its markup until today liquor prices in Washington are somewhat above those of our neighboring states. Through careful study and gradual increase in markup the Board has achieved increased revenue without apparent development in illicit operations, although these efforts were seriously threatened by a sudden and substantial increase in price with the imposition of a ten per cent sales tax in 1935, a tax unsound in principle in that the state taxes its own operation. Increases in internal revenue tax and freight provided further disturbing elements during 1938.

The Board, by its record since 1934, should convince any fair minded person that it will at all times secure a maximum revenue for government consistent with liquor control. Control, as well as maximum revenue, is to be accomplished only through continuing the Board's discretion to vary the markup as social and economic conditions demand. Any legislative action providing a mandatory increase in price or eliminating the present elasticity in markup must be avoided if present achievements in liquor control are to be continued.

### Personnel

The Board again acknowledges the cooperation and loyalty of its employees. At the beginning of the fiscal year, the Board had 404 regular employees and 127 agents. During the year 53 regular employees and 27 agents resigned, while 47 employees and 27 agents were appointed (including one regular employee who resigned and was appointed as an agent) making a total at the end of the year of 398 regular employees and 127 agents.

**EFFECT OF LEGISLATIVE CHANGES****Sale of Draught Beer For Off-premise Consumption**

The 1937 legislature made several changes affecting retail licensees. Provisions were made whereby holders of draught beer licenses for on-premise consumption could sell unpasteurized beer to purchasers for off-premise consumption, thus enabling such purchasers to consume the same in their homes. Operations under this provision have been satisfactory.

**Increase in License Fees For Off-premise Consumption**

The license fee for off-premise consumption of beer was raised from \$10.00 to \$25.00 and for wine, from \$10.00 to \$35.00 except in those cases where the licensee was the holder of a draught beer license for on-premise consumption. During the fiscal year ended September 30, 1938, 1,523 premises were licensed for the sale of beer and/or wine for off-premise consumption only as compared with 1,708 such places the previous year. This reduction was probably due in large part to the increase in license fees.

**Residence Requirements For Retail Licensees**

Residence requirements for retail licensees were reduced from one year to one month. This has made it possible for the Board to license desirable new residents and avoided a hardship which existed under the prior provisions of the law.

**Military Restrictions Removed**

The revision in the law removing the restriction as to the granting of any licenses within 300 feet of an armory or military reservation and within one mile of the American Lake National Guard Military Reservation permitted the Board to exercise discretion and apparently worked out to the satisfaction of all, including the military authorities.

**Transfer of Ownership**

Provision was also made for the transfer of licenses for a nominal fee of \$10.00. Prior to this change it was necessary to cancel the old licenses and issue a new one each time a change in ownership occurred. This change entailed payment of large fees on the part of the licensee and had a tendency to lead to subterfuge. The establishment of a nominal fee has eliminated any tendency toward subterfuge and operation under the new provision appears to be more satisfactory. During the fiscal year ended September 30, 1938, 749 such transfers were issued and during that part of the 1937 fiscal year when this provision was effective, 465 transfers were issued.

**Entertainment and Dancing**

The legislature further provided that retail licensees must have a permit or license from the local authorities before they are permitted to have dancing, music or entertainment other than radios or mechanical musical devices on their premises. This provision has been beneficial as it is impracticable for the Board to make regulations on this matter applicable to the entire state, some localities desiring all these activities, while others desire only part or none whatsoever. Under this provision it is now possible for each locality to determine the activities they desire in their particular community.

**Agents Licensed**

This provision in the law requiring that all agents for brewers or beer wholesalers contacting licensees of the Board shall be licensed at a nominal fee of \$2.00 per annum has served to place greater responsibility upon the agents and has been helpful in eliminating violations. There were 967 salesmen licensed during the 1938 fiscal year.

**Certificates of Approval and Beer Importer's Licenses**

Certificates of approval and the beer importer's licenses recommended by the Board and adopted by the legislature were proposed for the sole purpose of securing control over the operation of outside breweries selling beer in the State of Washington, rendering them subject to the same control that was heretofore exercised over breweries licensed within the state. The fact that the fees adopted were at a nominal figure emphasizes the fact that neither revenue nor discrimination against outside beer were considerations. The certificate of approval and importer's license merely requires a showing of the beer sales in the State of Washington and in the event irregularities are uncovered involving the sale of such beer the Board has a licensee within the state on whom it can place responsibility. Outside beer may still come into the State of Washington without the burden of tax or licensee fees in excess of that required for beer manufactured and sold within the state. Provisions such as these are essential in order to achieve necessary control over the sale of beer. An examination of the statutory change and its administration will convince anyone that there is no element of discrimination in the law and that its sole purpose is regulatory.

Certificates were issued to 21 out-of-state brewers during the 1938 fiscal year and to 24 during the previous year. Beer importers licenses were issued to 74 firms during the 1938 fiscal year as compared with 69 the previous year. The Board believes that these provisions have enabled it to exercise proper control over out-of-state beer shipped into this state.

**Domestic Wine Wholesalers**

This section of the law providing for a license to domestic wine wholesalers to purchase domestic wine from domestic wineries and to sell the same to holders of wine retailers' licenses was recommended by the Board and adopted by the legislature to care for the distribution problem resulting from the growth of the domestic wine industry. The production of domestic wineries having increased tremendously, direct sales and distribution by the wineries to the retailer were not practical and this new licensed operation is consistent with the development of the industry. The Board's experience since the adoption of this new licensed operation has demonstrated its need, particularly so long as the domestic winery operation is carried on under existing conditions and under present statutory provisions.

Licenses were issued to 119 domestic wine wholesalers during the year, and their operation under this license is proving satisfactory.

**Club Licenses**

The increase of the club license fee from \$100.00 to \$300.00 did not in itself serve to lessen applications for club licenses. The restriction of the Board's discretion in granting of club licenses, in that the Board may no longer waive the provision of the law requiring existence for a period of



three years or one year continuous operation immediately preceding the application for a license, has made it more difficult for a club to qualify for a license. Consistent with this statutory change the Board has become more strict in its requirements in granting applications for club licenses and more strict in its regulations of club operations. Since adoption of more restrictive regulations requiring increased qualifications, compliance has been difficult for all but well established bona fide clubs and applications for club licenses are decreasing.

#### **Possession With Intent To Sell**

The possession of liquor by any person on premises exhibiting a Federal retail liquor dealer's tax stamp shall be prima facie evidence of the intent to sell liquor. This provision was recommended and adopted by the legislature at the suggestion of prosecuting attorneys of the state to make easier the apprehension and conviction of persons engaged in the illegal sale of liquor. Under this statute the purchase of liquor is not essential for arrest or conviction. It has proven effective in certain instances where confirmed and cunning liquor violators cannot be apprehended through actual purchase.

#### **Liquor Importer's License**

This license granting authority to import any liquor other than beer into the state, to store the same within the state, and to sell and export the same from the state has permitted the further development of local business and has given the Board full knowledge and control over all transactions. Operations under this license have apparently been satisfactory.

### **RETAIL LICENSES**

#### **Number of Licenses Issued**

A review of retail licensing since the enactment of the Liquor Control Act in 1933 discloses significant information and facts. Since it was the apparent intention of the law that beer and wine should be dispensed widely, retail licenses were issued without limitation as to number of outlets during 1934. At the close of that year 6,470 premises were licensed for the retail sale of beer and wine. It immediately became apparent that the unrestricted issuance of retail licenses was resulting in certain evils, primarily the "mushrooming" of irresponsible licensees. Accordingly the 1935 session of the legislature increased the license fees materially and the Board began to more carefully scrutinize new applicants and to eliminate obviously undesirable operators with the result that by the end of the 1935 licensing period the number of licensed retail premises was reduced to 6,019.

It was noted that in those districts where there were many more licensed premises than were needed to properly serve the general public, lax operations and infractions of the law almost inevitably resulted as the licensees became careless in an attempt to procure more business. The Board cooperated with local authorities in limiting the number of outlets within their local boundaries and aided local authorities in restricting areas, primarily residential districts, in which licenses of certain types should not be issued. By the end of the 1936 fiscal year the number of licensed retail premises was reduced to 5,806. During the 1937 fiscal year the number of licensed outlets was slightly increased to 5,836 but it should be noted that locations licensed for on-premise consumption showed a reduction of 174, the total net increase resulting from



the addition of 204 off-premise locations. By the close of the 1938 fiscal year, licenses had been issued to a total of 5,263 outlets. This figure included 3,730 premises dispensing beer and wine for on-premise consumption which was a reduction of 384 from the previous year. Of the 3,730 on-premise outlets, 679 were licensed to sell bottled beer and wine only, this type of license being issued to locations where beer is not a principal source of revenue. Licensed premises for off-premise consumption only, showed a corresponding reduction from 1,708 for 1937 to 1,523 for 1938.

The number of retail outlets for the sale of beer and wine had been reduced from 6,470 at the close of the 1934 fiscal year to 5,263 at the close of the 1938 fiscal year, a total reduction of 1,207 licensed premises. The Board is continuing its restrictive manner of licensing, particularly in relation to those premises which have not been previously licensed or which have not been in continuous operation. Before new applications for licenses are granted, a complete investigation is made and a definite public desirability for proposed new locations must be shown. It appears from this review that the Board's activities in reducing the number of licensed premises is bringing favorable results and that there is no apparent need for legislation limiting the number of licensed premises.

#### **Cooperation of Local Authorities**

The cooperation and interest evinced by the local authorities throughout the state has been of great benefit to the Board in meeting and adjusting licensing problems. Members and representatives of the Board have attended group meetings of local authorities to discuss the joint problems confronting the Board and the local officials. One of the concrete results of this cooperation is evidenced by the numerous resolutions and ordinances which limit the number of retail outlets within local areas. The trend has also been to restrict the licensing to certain districts within local units. The centralizing of beer and wine operations has simplified the problem of supervision and has eliminated licensed premises in large part from the residential areas.

#### **Operations Improved**

Steady improvement has been noted in the general operation of retail licensed premises during the past fiscal year. This improvement is attributed in part to the more conscientious efforts of the licensees to operate in accordance with the rules and regulations due to their realization of the value of their license privileges and in part to the much closer and more comprehensive supervision maintained by the Board. It is generally realized by licensees throughout the state that apprehended violations of the law and rules and regulations will result in immediate and often drastic penalties. At the same time a more complete and thorough understanding between the licensees and representatives of the Board is being developed. The Board is constantly seeking to impress upon the licensees that it is primarily interested in assisting them to conduct their establishments properly so that they may maintain the good-will of the general public, avoid violations, and protect their investments.

#### **Inspection**

The retail inspection service operates as follows: The state is divided into six districts with a senior inspector in charge of each, who is responsible

for the personal conduct as well as the work of the inspectors assigned under him. The whole force, consisting of 29 field inspectors and the six senior inspectors, operates under the supervision of the chief inspector. Inspectors make regular calls on licensed premises in their districts. Reports are made on the operation of all licensed premises several times during the year and in cases requiring closer supervision, inspections and complete reports of such inspections are made more often. A current report on the operation and general conduct of each licensed establishment within the state is available at all times. In conducting its inspection service, the Board has borne in mind the thought that the licensee is to a degree a partner with the state in carrying on the liquor traffic and has sought to educate the licensee accordingly. During the year 50 meetings were held throughout the state with groups of retail dispensers to explain the Board's policies and discuss the mutual problems confronting both the licensee and the Board. After the meetings in each district, an improvement in general operations was noted indicating a better understanding of the Board's requirements on the part of the licensees.

#### Violations

Minor violations are handled by the inspectors through verbal or written warnings and in most instances minor difficulties may be easily corrected by calling the licensee's attention to any conditions that should be corrected. When the inspector believes more drastic action should be taken because of the serious nature of the violation or the disregard of previous warnings, a violation slip is served on the licensee. Since June 1, 1937, the Board has held a hearing on every violation slip issued with the result that hearings are held speedily and punishment if any is swift. At the same time the licensee is given an opportunity to explain his side of the case.

#### Hearings

During the fiscal year ended September 30, 1938, 470 hearings were held affecting retail licenses which was an increase of 239 over the number held during the previous year. The increase was largely due to the new policy of holding hearings on every violation slip written by the inspectors during the year. No licenses were cancelled or suspended without a hearing and no application for a new license was denied without the applicant being given an opportunity to be heard if he so desired. A large number of hearings were held prior to the beginning of the new fiscal year on licenses of a border-line type to determine by a general review of the operations whether reissuance of the license was merited. While licensees who wilfully violate the law are, and have been, gradually eliminating themselves by reason of their improper operations, the keynote of the Board's hearings has always been education rather than punishment. A summary of the results of the hearings and the more common violations found is contained in Section 3 of this report.

#### CLUBS

During the 1938 fiscal year, club licenses were granted to 74 clubs, which was the same number granted the previous year. However, during the year 12 organizations were granted licenses for the first time and 12 other clubs who had licenses during 1937 did not re-apply or were denied licenses for 1938. In the early part of the year, the Board required the club members



liquor pools to install uniform bookkeeping systems and appointed auditors to examine the books of the various clubs. It was found that only an actual audit made it possible to determine whether or not a club was a non-profit organization. On June 1, 1938, the Board adopted complete new club regulations. A special type of permit was devised for the purchase of liquor for members' liquor pools. Certain clubs were permitted to allow bona fide guests of the club to participate in the liquor pool and this guest privilege was granted to those qualifying clubs only after the most careful consideration. Also, under the new regulations the Board set forth more definite requirements regarding the physical arrangement of club quarters. Generally speaking the Board believes that the operations of licensed clubs have shown definite improvement during the year.

#### **BREWERS AND BEER WHOLESALERS**

##### **Number of Licenses Issued and Amount of Production**

On September 30, 1938, licenses were held by 15 brewers and 201 beer wholesalers, representing a reduction of 1 brewer's license and 59 wholesaler's licenses from the number issued the previous year. During the 1938 fiscal year, Washington brewers produced 751,419 barrels of beer, as compared with 911,774 barrels the previous year. Washington brewers sold 460,036 barrels in the state while out-of-state brewers sold 123,350, making the total sales in the State of Washington for the year, 583,386 barrels. Washington brewers sold 79% of the total beer consumed in the state during the year as compared with 84% in the previous year. Exports of Washington produced beer amounted to 272,677 barrels, which represented approximately 36% of the total state production.

##### **Hearings On Brewers and Beer Wholesalers**

During the 1938 fiscal year complaints were made by the inspection unit of the brewers and beer wholesalers division charging violations against 39 firms, some of whom admitted the charges and waived hearings. As a result of the hearings held, the Board took severe action on five major cases, involving firms engaged in rendering financial assistance to retail licensees, extension of credit and rebating in various forms. Less severe penalties were imposed upon other firms for minor violations in numerous instances. As a result of the action taken by the Board there has been a noticeable improvement in the operations of the brewers and beer wholesalers. However, the Board is still of the opinion that constant supervision is necessary to eliminate possible irregularities still existing in the industry.

#### **DOMESTIC WINERIES AND WINE WHOLESALERS**

##### **Number of Licenses Issued and Amount of Production**

During the year ended September 30, 1938, 42 licenses were issued to domestic wineries and 119 licenses were issued to domestic wine wholesalers as compared with 40 winery and 84 wholesale licenses issued the year before. During the period Washington domestic wineries produced 2,244,089 gallons of wine, part of which was used in the manufacture of brandy. Sales in the state amounted to 648,762 gallons which represented approximately 37.7% of all the wine sold in the state. During the previous year the wineries sold 597,565 gallons which represented approximately 29% of the total wine sold



during that year. In addition sales outside the state amounted to 147,117 gallons, as compared with 51,211 gallons sold to out-of-state markets during the 1937 fiscal year.

#### Types of Wine Sold

Sales of domestic wine by type in the state were as follows:

Grape .....	244,185 gallons
Loganberry .....	218,287 "
Apple .....	102,882 "
Blackberry .....	30,174 "
Cherry .....	20,922 "
Miscellaneous Fruits .....	32,312 "
Total .....	648,762 gallons

Of the total amount of wine sold, approximately 35% was fortified and 65% was unfortified.

#### Consumption of Local Fruits

Since the advent of the domestic wineries in this state, growers of certain varieties of agricultural products have realized substantial benefits as a direct result of the demand by wineries for products to be used in the making of domestic wines. Farmers have planted hundreds of additional acres of berries and grapes to supply the demands of the wineries. A large portion of the additional acreage is made up of European wine grapes, which have been found to thrive in this state. From October 1, 1937, to September 30, 1938, Washington vintners and fruit distillers produced wines and brandies from Washington fruits as follows:

Apples .....	10,924,652 lbs.	Apricots .....	61,471 lbs.
Grapes .....	3,639,694 "	Raspberries .....	10,791 "
Loganberries .....	1,248,246 "	Olympic Berries .....	7,150 "
Blackberries .....	1,122,464 "	Rhubarb .....	2,500 "
Cherries .....	276,596 "	Prunes .....	775 "
Peaches .....	113,696 "	Huckleberries .....	200 "
Currants .....	80,960 "	Youngberries .....	173 "
Strawberries .....	80,240 "		
		Total .....	17,569,518 lbs.

#### Supervision

During the year inspectors in the winery division took samples of all wine in process of manufacture and samples of finished wines from the winery premises and the premises of wholesale and retail licensees for analysis in the Board's laboratory. All wines which were found to be substandard were seized by the Board in conjunction with the State Department of Agriculture until re-conditioned to meet the requirements of the Board or otherwise disposed of. Altogether, the laboratory ran 3,965 analysis of domestic wine samples with the result that 164,150 gallons of wine were seized. Of this total, 486 gallons were blended with other wine, 105,029 gallons were distilled to brandy or alcohol, 5,065 gallons were destroyed, 580 gallons were converted to vinegar and 52,990 gallons remained under seizure at the end of the year. In addition, it was found that the wines of several vintners contained an alcoholic content at variance with statements made on the labels and such vintners were required to recall the wines and relabel them, showing the true alcoholic content.

### **DISTILLERS, RECTIFIERS AND COMMERCIAL WINERY**

On September 30, 1933, licenses were held by one commercial winery engaged in the manufacture of sake, five fruit distilleries and three rectifiers. The fruit distilleries were manufacturing brandies and alcohol produced exclusively and entirely from Washington fruits principally for use in fortifying domestic wines. The commercial winery and rectifying plants were using out-of-state products to a large extent.

### **ADVERTISING**

At the time of the adoption of the Board's first advertising regulations, all advertisers expressed a desire for self-regulation, with a minimum of express prohibitions by the Board. After numerous conferences and discussions, the Board decided to give this experiment a fair trial, and refrained at the time from adopting any regulations except regulations having to do with signs appearing in or on licensed retail premises.

It was later deemed expedient to make certain specific prohibitions. Among the prohibited matters were liquor advertising in school programs and on the screens of motion picture theaters; liquor advertising in connection with contests or the awarding of prizes or premiums; and liquor advertising by means of sound trucks or through the sale or distribution of advertising novelties. At the time that these specific prohibitions were adopted, the Board set forth, in what was entitled an Advertising Circular, certain prohibitions intended to have the force of regulations, but not formally adopted as regulations because of the urgent request of the advertisers that they be permitted to continue their previously adopted policy of self-regulation. As experience had proven this policy to be reasonably successful, the Board was willing to permit its continuance, subject, however, to the suggestions and recommendations of the Board, which recommendations were set forth in the Advertising Circular. These recommendations included prohibitions against illustrations of humans in outdoor advertising and of women and children in all liquor advertising; against illustrations depicting consumption of liquor; and against claims of health-giving properties or references to persons as recommending brands.

The Board has never, under the above system of control, required that proposed advertising programs be submitted in advance of publication. As a matter of practice, however, many advertisers do submit their programs in advance, particularly where there is doubt in their minds as to whether the advertising complies with the regulations and the provisions of the Advertising Circular, and all proposed advertisements so submitted are given immediate attention. Under this system every effort is made to keep all types of liquor advertising dignified and conservative in every respect, and it is believed that these efforts have been reasonably successful in attaining this end.

### **LEGAL DEPARTMENT**

#### **Litigation**

During the past fiscal year no legal actions have been brought against the Board. The Board has been dismissed as a party in the case of *William Steuer v. Washington State Liquor Control Board, et al.*, although the action still remains pending against the inspector involved.

All garnishment actions involving the Board have been dismissed. At the close of the fiscal year there are no legal actions whatever pending against the Board.

#### Other Activities

The Attorney General and the Assistant Attorney General assigned to the Board have given opinion upon all questions submitted. They have informally advised and consulted with the Board and its subordinates when called upon, and have fully cooperated with the Board. They have participated in the drafting of all regulations promulgated by the Board during the year. They have prepared, supervised the execution of, and finally approved all leases and contracts entered into by the Board. Much study has been given to the laws and regulations of other states so that this Board could keep abreast of the times, improve its own regulations, secure the maximum of efficiency in enforcement, and propose possible suggested changes in the Washington State Liquor Act.

#### REPORT OF PROSECUTIONS

In our last report (see pp. 17, 18, Fourth Report, Washington State Liquor Control Board) we said:

"In addition to the administrative features of the Washington State Liquor Act, there are at present sufficient criminal provisions to give local authorities adequate means of enforcement. The report of prosecutions received from the prosecuting attorneys indicate that, on the whole, there is a serious effort by prosecuting attorneys to effectively enforce the Washington State Liquor Act.

"Section 81 of the Act requires that the prosecuting attorneys report all prosecutions had under the Act. To the date of this report, all prosecuting attorneys, except three, had furnished the information required. Different methods of reporting are used by the various prosecuting attorneys. There are also many cases which might properly be prosecuted under the Act which are filed in city courts under local city ordinances or referred to the Federal courts. In view of these facts, any attempt to segregate this information, either by county or by criminal violation, would be meaningless and tend to confuse rather than to clarify."

The reports received this year are even less informative than those of preceding years and at the time this report is made, twelve prosecuting attorneys have failed to supply the information required. Prosecuting attorneys of some of the larger counties of the state are among the delinquents. We give the following summary of the information furnished:

Total prosecutions shown .....	470
Dismissals .....	22
Pending .....	35
Convictions or otherwise disposed of .....	413

The Board's observance of enforcement of the criminal provisions of the Act for almost five years indicates that the public generally looks to the Board to carry on liquor enforcement activities, even though the Act itself definitely places enforcement responsibility upon local agencies. The Board is giving serious thought to recommendations that would place increased responsibility for enforcement upon the Board with the attendant authority.

#### INVESTIGATION DEPARTMENT

The Board has found it necessary to continue its enforcement work in fairness to the licensees who are operating within the law particularly in those localities where peace officers have ignored their responsibility of investigation and prosecution, as charged under Section 70 of the State Liquor Act.



The personnel of the investigation department on September 30, 1938, included the chief investigator, 7 assistants, and temporary undercover men. The inspectors of licensed premises do not engage in law enforcement work and the investigators carry on their work without calling upon the retail inspectors in the different districts for aid. The complete separation of the two functions has resulted in increased efficiency and better enforcement.

During the year, sales of confiscated property amounted to \$1,050.43 as compared with \$4,446.83 for the previous year. This decrease can be explained by the fact that practically all large speakeasies have been eliminated and liquor violations are being held at a minimum throughout the state. The records indicate there is a further decrease in the number of cases involving illicit liquor and the Board's records as well as the Federal Alcohol Tax Unit records show that this type of operation is practically extinct.

In addition to regular enforcement work, the investigators have aided the retail inspectors on frequent occasions particularly in regard to such infractions as Sunday and spirituous liquor sales by licensees. The following summary shows cases made and liquor seized during the year.

#### SUMMARY OF CASES MADE AND LIQUOR SEIZED

October 1, 1937, to September 30, 1938

Cases in which defendants were convicted.....	598
Cases dismissed on recommendation of prosecutors.....	16
Cases lost in court.....	4
	<hr/>
Cases pending trial.....	618
	<hr/>
Total cases October 1, 1937, to September 30, 1938.....	651
	<hr/>
Convictions .....	664
Defendants dismissed .....	59
Defendants acquitted .....	4
Defendants pending trial .....	30
	<hr/>
Total arrests made .....	757
	<hr/>
Total fines imposed.....	\$66,743.00
Average fine per case disposed of.....	\$107.99
Average fine per defendant convicted.....	\$100.51
Total jail days imposed.....	12,428
Average jail days per case disposed of.....	20
Average jail days per defendant convicted.....	18
Number of cases turned to Federal court.....	5
	<hr/>
Cases in which stamped liquor was seized.....	417
Cases in which unstamped liquor was seized.....	19
	<hr/>
Total cases in which liquor was seized.....	436
	<hr/>
Gallons stamped distilled liquor seized.....	603½
Gallons unstamped distilled liquor seized.....	28¾
Gallons stamped wine seized.....	36
Gallons unstamped wine seized.....	26
Gallons beer seized.....	470¼
Stillis seized .....	2

**LABORATORY**

On June 5, 1937, the Board established its own laboratory with complete chemical and bacteriological control equipment. Through cooperation with the State Department of Agriculture, a marked improvement in the sanitary conditions of the breweries and wineries of the state has been obtained and the standards of quality of products have been controlled. In addition, the laboratory furnished complete control of analyses of all bulk wines and distilled spirits bottled by the Board in its bottling plant as well as checking the quality of various items purchased by the Board for sale through the stores and agencies. During the fiscal year the laboratory completed 4,164 analyses of different liquors.